



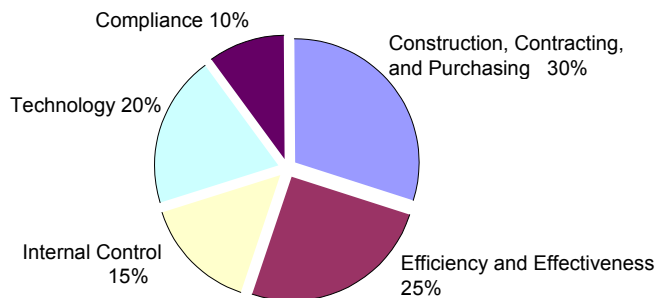
Recapping 2000 –Previewing 2001

The Office of City Auditor (OCA) completed 19 projects in 2000 and anticipates completing 16-20 projects in 2001. Three primary goals drive the City Auditor's work:

- ♦ Encouraging City departments to save money by implementing proven best practices in the administration of their programs;
- ♦ Ensuring that City functions are accountable to the public; and
- ♦ Improving the City's management accountability systems.

To further the first goal, in 2000 the Office began an ambitious project to provide auditing oversight of the City's major capital projects, including Libraries for All, the new Performance Hall, the Justice Center, and the new City Hall.

Allocation of Audit Resources By Subject Area



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Several audits furthered our second goal of ensuring accountability, including our review of the Seattle Indian Commission and the African American Heritage Museum and Cultural Center. In some manner, all of our audits addressed the issue of improving management accountability systems.

In 2000, as noted in the table below, the Office's work was almost evenly divided between projects suggested by the City Council or Mayor's Office and projects requested by departments. The projects were also almost evenly divided between performance and financial audits. Starting in 2000, the Office increased its emphasis on construction, contracting and purchasing issues, by allocating approximately 30 percent of audit resources to these areas. Other significant audit areas include internal control reviews, compliance audits, technology reviews, and efficiency and effectiveness audits.

Type of Audit Performed in 2000 By Requestor

Requestor	Performance Audit	Financial-Related Audit
Council or Mayor's Office	5	5
Department	3	6

Copies of the Office's reports can be obtained from the City Auditor's website (www.cityofseattle.net/audit) or by calling Carolyn Yund at 206-233-3801.

Recap of 2000 Work Products

Quality Assurance Review #1 of New Performance Hall at the Seattle Center, 12-21-00

This memorandum documents our first review of construction project processes and procedures for the new Performance Hall, scheduled to break ground in September, 2001. Our review focused on addressing improvements to current management and planning processes in six areas: Schedule and Monthly Status Reports, GCCM Contract Provisions, Project Pricing/MACC Negotiations, Communications, Document Management, and Project Manual Development. The project management team has been receptive to the consultant's Washington office; 2) verify that non-allowed items, per the City's contract, were not included in the calculation

our suggestions and has demonstrated an eagerness to strengthen current processes and procedures aimed at ensuring the project's success. OCA will continue to follow this project through periodic quality assurance reviews at selected milestones over the course of the project.

Consultant Overhead Rates, 11-30-00

This memorandum documents our review of a Seattle Public Utilities (SPU) engineering consultant's overhead rates. Our objectives were to: 1) reconcile the "allocated expense" applied to of the Washington state overhead rate; 3) reconcile the consultant's corporate and Washington state overhead rates; and 4) validate the

consultant's cost accounting procedures for computer costs charged back to SPU. We were able to satisfy our concerns regarding the first three issues. We made recommendations that are intended to encourage greater oversight of the consultant's computer charges, to ensure that SPU only pays charges as described in its contract.

Consultant Labor Rates and Computer Charges, 11-22-00

This memorandum documents our review of a Seattle City Light (SCL) engineering consultant's labor rates and computer charges. From documentation presented to the City, it appeared that the consultant had approved salary increases for individuals working on this contract that were higher than industry standard. Our review determined this was not the case, as the consultant was not providing all the necessary salary information to SCL. We reviewed the consultant's computer charges to SCL to determine how the consultant calculated its specific rate. Although this aspect of the contract cannot be changed, our review reinforced our recommendation that SCL should develop a consistent approach on how it will pay computer expenses incurred by contractors.

Controls Over Selected Public Benefit Features in Downtown Seattle, 11-7-00

Since 1966, developers of downtown commercial buildings have been able to earn "bonus" floor area by providing certain public benefits with their buildings. Public plazas, rooftop gardens, escalators, and sculptured building tops are examples of features that can be used to earn bonus floor area downtown today. We evaluated the City's ability to make sure that developers and owners build and maintain such features, as promised. We concluded that the City has not lost any significant benefit features, and that good design and design review are the best ways to ensure such features remain available to the public. We recommended changes to City computer systems to improve the City's ability to protect privately-owned public benefit features. (Some changes to systems in the Department of Design, Construction and Land Use were under way when we started our review.)

Lake Youngs Petty Cash Fund, 11-5-00

This memo documents our work regarding the Lake Youngs Transmission Facility petty cash fund.

Unclaimed Property Review, 11-2-00

This memo documents and completes our work performed regarding (a) the destruction of records which supported potential credits to taxpayers, and (b) tax refund credits placed in a holding account by the Division of Revenue and Consumer Affairs (RCA).

Improving AT&T Broadband and Internet Services' Compliance With the Cable Customer Bill of Rights, 10-2-00

The Office of City Auditor and the Office of Cable Communications conducted this review to determine whether AT&T Broadband and Internet Services (formerly TCI Cable) was complying with the Cable Customer Bill of Rights, as established in the Seattle Municipal Code. We concluded that, although AT&T's policies and procedures emphasize customer service, they do not satisfy all of the reporting requirements of the Bill of Rights. AT&T's response indicates that it relies on a national billing and record-keeping system, and that tailoring that system to the requirements of each jurisdiction could result in higher cable subscription rates.

Seattle Public Library Capital Program: Quality Assurance Memorandum #2, 9-18-00

In 1999 we began an ongoing review of the Library's capital program. This review focused on the administration of the contracts to design and construct a new central library and temporary central library. We recommended that the "Libraries for All" program improve its capital project oversight by clearly documenting the roles and expectations of all the parties, requesting periodic progress reports from contractors, and relating project schedules to project budgets. The Library agreed to implement several recommendations, but believes that most of its current practices will provide satisfactory project documentation.

Seattle City Employees' Retirement System, 9-18-00

The Seattle City Employees' Retirement System (SCERS) is responsible for providing retirement benefits to eligible City employees. A seven-member Board of Administration manages over \$1.5 billion in assets, subject to City Council oversight. We examined SCERS' management control systems, including accounting, investing, and reporting activities. We made recommendations regarding policies and procedures, segregation of duties, and financial reporting practices.

DCLU: Tracking Financial Management Improvements October 1, 1999 through July 30, 2000, 9-12-00

In November 1999 the Office of City Auditor issued a report, *Department of Design, Construction and Land Use: Tracking Financial Management Improvements*, that tracked financial management changes made at DCLU between January 1, 1997 and September 30, 1999. This report follows up on our eight recommendations in the 1999 report and describes financial management improvements made from October 1, 1999 through July 30, 2000. We conducted the work by reviewing new systems and support documentation, interviewing DCLU personnel and consultants, and distributing employee questionnaires. We concluded that seven of our eight recommendations had been implemented. We recommended minor adjustments to two of the implemented changes.

Funding for the African American Heritage Museum and Cultural Center, 7-25-00

We reviewed the City's 1997 and 1998 allocations of \$250,000 to the African American Heritage Museum and Cultural Center to determine whether City funds allocated to the Museum were used in accordance with a Memorandum of Agreement between the Museum and the City of Seattle. We determined that the Museum used the City's money appropriately, except for two payments totaling \$4,198. Following our recommendation, the City established a receivable for this amount so that it will be withheld when future invoices are submitted by the Museum for payment.

Emergency Medical Transport Service Delivery Options, 7-3-00

The Office of City Auditor presented this report on emergency medical transport service delivery options at the Council Public Safety and Technology Committee on July 5th. The report was initiated in response to issues regarding the Seattle Fire Department's administrative arrangement with American Medical Response (AMR) for transporting basic life support (BLS) patients to medical facilities. The report highlights the advantages and disadvantages of five emergency medical transport options for City BLS patients. The transport options included: 1) maintaining the

current administrative arrangement with AMR; 2) formalizing the current administrative arrangement with AMR; 3) establishing a formal contract with an exclusive private provider through a competitive request for qualifications/requests for proposal processes; 4) establishing formal contracts with multiple providers identified through a competitive request for qualifications/request for proposal processes; and 5) structuring a managed competition process in which the Seattle Fire Department and private providers bid for BLS transport services.

Improving Millennium Digital Media’s Compliance With the Cable Customer Bill of Rights, 6-22-00

The Office of City Auditor and the Office of Cable Communications conducted this review to determine whether Millennium Digital Media (formerly Summit Cable) was complying with the Cable Customer Bill of Rights, as established in the Seattle Municipal Code. We concluded that Millennium’s employees are empowered to fix problems, and many customers’ complaints are satisfactorily resolved. On the other hand, Millennium (1) does not collect data that would enable the City to determine the number and resolution of customer complaints, (2) does not always credit customers’ bills as required by the Bill of Rights, and (3) its service centers do not observe the operating hours and other requirements established in the Bill of Rights. Millennium generally concurred with our findings and recommendations, excepting those regarding the service centers.

Woodland Park Zoo’s Cash Handling Procedures, 5-10-00

The Zoo serves about 1 million visitors annually, with corresponding revenues of over \$5.8 million. Since 1998, audit staff have conducted announced and unannounced visits to the Zoo to identify ways to improve cash handling processes. This memo describes seven findings and recommendations for improvements in cash storage and accounting procedures.

Seattle Conservation Corps Takes Steps to Improve Internal Controls, 5-9-00

At the request of the Department of Parks and Recreation, we visited a Seattle Conservation Corps site to assess cash handling controls in the wake of a September 1999 theft of cash. We identified a few problems with physical security and cash handling processes. By February 2000 the Corps had implemented our recommendations to improve their controls over cash.

Special Study of Seattle Indian Services Commission, 5-1-00

The Seattle Indian Services Commission is a public corporation chartered by the City of Seattle in 1972 for the purpose of providing effective, comprehensive, and coordinated programs, services, and activities to meet the unique needs of Seattle’s Native American residents. We concluded that the Commission’s management practices were consistent with City policies and the Commission’s charter, rules and regulations. In addition, the Commission’s response to a difficult management issue—the proposed relocation of the Seattle Indian Center’s food program to create needed child care space—demonstrated its responsiveness to tenant agencies and commitment to sound management practices.

SPU: Payment Center Cash Handling Review, 4-10-00

Seattle Public Utilities (SPU) operates two utility payment centers in downtown Seattle, where citizens can pay bills and consult with staff regarding water, sewer, solid waste, and electric services. This

report summarizes the results of a surprise evaluation we conducted in October 1999. The evaluation included a cash count, a review of physical security features, and staff interviews. We identified several problems associated with the centers’ use of the City’s Remote Automated Payment System; management has since corrected those problems.

Seattle City Light: Settlement Quality Meter Data Audit, 3-22-00

Seattle City Light (SCL) provides electricity under contract to several locations in California. The California Independent System Operator (ISO) requires providers like SCL to annually audit controls over the way they receive and process meter data to produce usage figures appropriate for billing, which is known as Settlement Quality Meter Data (SQMD). At SCL’s request, we conducted the required audit. We concluded that SCL is in compliance with its tariff requirements, and that its process is capable of generating data that is accurate and complete.

City Improving Controls Over Claims Warrants , 2-22-00

We followed up on a State Auditor’s Office report that found that many City claims warrants (checks) were being returned by Treasury to issuing departments to have remittance documents attached before being sent to the payees. These checks were being returned to the accounts payable technicians who originally entered the requests for issuance of the warrants into the City’s financial management system. We worked with the departments to resolve this internal control weakness. Some departments have implemented new procedures; others have developed action plans and are experimenting with new procedures.

Training

To further capitalize on the skills of the staff of the Office of City Auditor, they serve as instructors several times a year. In 2000, audit staff provided training in the following areas:

Interview Skills	Control Self Assessments
Basic Audit Skills	Detecting Payroll Fraud
Negotiation Skills	Detecting Timesheet Fraud
Facilitation Skills	Construction Auditing

Preliminary 2001 Work Program

The Office of City Auditor currently has 10 on going projects, 3 projects on hold¹, 3 audits scheduled to begin in the first quarter of 2001, and 11 projects under consideration. On average, the Office completes 18 projects a year.

Parks

- Department of Parks and Recreation’s Allocation of Athletic Fields (started, on hold).
- Security of the Department of Parks and Recreation’s SAFARI Payment Processing Computer System (topic under consideration).
- Department of Parks and Recreation’s Management of Capital Projects (topic under consideration).

¹ Projects that have been started but are currently suspended due to other audit priorities.

Department of Design, Construction and Land Use

- SEATRAN and DCLU Permitting: A process improvement project using facilitated workshops (topic under consideration).
- DCLU Land Use Planning and Development: A Land Use Code amendment process improvement project (on going).

Construction, Contracting and Purchasing

- Quality Assurance Monitoring of Civic Campus and Justice Center Capital Projects (on going).
- Quality Assurance Monitoring of Libraries for All Program (on going).
- Quality Assurance Monitoring of the Performance Hall (on going).
- Review of Contract Claims Against the City (topic under consideration).
- Review of Contract Language in Construction Contracts (topic under consideration).
- Review of the Contracting Services Division's Contract Compliance Reporting (topic under consideration).

Utilities

- Consolidated Customer Service System (CCSS): An information technology review of CCSS's security (on-hold).
- Capitalization Practices: This project will assess the capitalization practices of Seattle City Light (SCL) and Seattle Public Utilities (SPU) (topic under consideration).
- Skagit Cookhouse (on going).

Housing, Human Services, CDBG

- Office of Housing Management Audit (starting in January 2001).
- Community Development Block Grant Management Audit (starting in January 2001).

Internal Controls, Finance

- Cash Handling Self-Assessment Survey of all City cash handling sites (on going).
- Review of City Departments' Management of Warehouses (on going).
- Treasury Lock Box Operation (topic under consideration).
- C-Card Review (topic under consideration).
- Cross-Subsidies: This audit will assess whether the utilities' funds (SCL and SPU) and the General Fund are subsidizing each other (topic under consideration).
- City's Use of Temporary Employees: A review of the consistency of departments' practices in the use and payment of temporary employees (on-hold).
- Real Property Management (on going).

Commissions and PDAs

- Review of PacMed: A review of how well PacMed has fulfilled its mandate (starting in March 2001).
- General management review of the Public Safety Civil Service Commission (on going).
- General management review of the Civil Service Commission (on going).

A message from the City Auditor:

The Office of City Auditor regularly revises its work program to ensure that we are addressing the City's most relevant and pressing issues. We also strive to keep the Mayor, City Councilmembers, Department Directors, and citizens informed about our most current work plan.

At the beginning of each year, the Office formally seeks input from the Mayor, City Council, departments and citizens via memorandum and through meetings. Further, to ensure our work is addressing the most relevant issues, we continue to solicit informal input through the year.

We have several ways in which we attempt to keep all interested parties informed of our most current work plan:

- Posting the latest work plan on our City web site (www.cityofseattle.net/audit);
- Regularly briefing the Chair of the City Council's Finance and Budget Committee on the status of current projects and proposed audit projects; and
- Providing updated work programs to the Mayor, Councilmembers, Department Directors, and interested citizens.

Our overall goal in developing the work program is to choose projects that will help departments improve services, innovate, and increase revenues and/or reduce costs. While developing the work program I will consider the needs of departments, the quality of their internal controls, program funding and program changes, time elapsed since the last audit, and the skills and availability of audit staff.

As you consider making suggestions for our work program, please think about projects that emphasize improved service delivery, citizen satisfaction, and cost reduction. Also, please consider areas in which performance improvements are needed, and for which staff have ideas for change that may benefit from our analysis and technical support for successful implementation. During the year, I assign my staff to projects using criteria such as risk, potential benefits, urgency of need, and expertise of audit staff. Audit staff are also available to help departments on projects not selected by the City Auditor on a cost reimbursement basis.

We look forward to hearing from you.

Sincerely,

Susan Cohen
City Auditor

Electronic versus Hardcopy? The Office of City Auditor now primarily uses its website and email to display and distribute its reports. If you prefer to automatically receive a hardcopy, please let Carolyn Yund know at 233-3801.